

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

OPIC-03 L-03 CIAE-00 INR-07 NSAE-00 ARAE-00 /071 W

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P 091900Z NOV 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 2589

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EO 11652: NA

AGS: BDIS, EIND, EINV, ENRG, PE

SUBJ: KEY MINISTERS TO MEET ON GULF CASE

REF: LIMA 9831

1. SUMMARY: FINANCE MINISTER BARUA HAS INFORMED AMBASSADOR THAT KEY MINISTERS (FOREIGN AFFAIRS, ENERGY AND MINES, AND FINANCE) ARE MEETING SOON TO DISCUSS PROPOSED SOLUTION FOR GULF CASE. DURING COURSE MEETING, BARUA ACKNOWLEDGED NEED FOR PROMPT RESOLUTION THIS OUTSTANDING MATTER. END SUMMARY

2. AMBASSADOR, ACCOMPANIED BY DCM AND ECONOMIC/COMMERCIAL

COUNSELOR, ALLED NOVEMBER 8 ON MINISTER OF FINANCE BARUA TO DISCUSS GULF CASE. ALSO PRESENT AT MEETING WAS VICE MINISTER OF FINANCE KEIL, WHO IS PRINCIPAL ACTION OFFICER ON GULF (REFTEL).

3. AMBASSADOR POINTED OUT THAT WITH SUCCESSFUL RESOLUTION OF MARCONA EXPROPRIATION, ATTENTION NOW BEING FOCUSED ON GULF CASE, WHICH HAS SIMILAR ELEMENTS--E.G. LEGAL REQUIREMENT UNDER U.S. LAW FOR PROMPT AND JUST COMPENSATION. E/C COUNSELOR NOTED THAT THROUGHOUT HIS RECENT VISIT TO U.S., MEETING WITH BANKS AND
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THEIR PRINCIPAL CORPORATE CLIENTS IN LOS ANGELES, DALLAS,

CHICAGO, AND NEW YORK, QUESTIONS ABOUT GULF AND STATUS OF NEGOTIATIONS WERE RAISED. E/C COUNSELOR ADDED THAT THIS PREOCCUPATION WAS ECHOED IN HIS DISCUSSIONS ABOUT PERU IN WASHINGTON AS WELL.

4. MINISTER INITIALLY DEMURRED, AND COMPLAINED ABOUT THE ALLEGED FOOT-DRAGGING OF ONE OR TWO U.S. BANKS IN THE \$210 MILLION BALANCE OF PAYMENTS LOAN, INDICATING THAT THE SIGNING MIGHT NOW BE HELD AS LATE AS NOVEMBER 26. IN EXPRESSING HIS IRRITATION AT THIS DELAY OF ALMOST ONE MONTH IN THE FINAL SIGNING, HE SEEMED TO CONNECT THE LOAN PACKAGE SIGNING DELAY WITH THE FAILURE OF THE GOP TO SETTLE THE GULF ISSUE. IN RESPONSE, AMBASSADOR CAME DOWN HARD ON NEED FOR EARLIEST POSSIBLE SETTLEMENT, STRESSING THAT IF (AS MINISTER HAD INDICATED EARLIER) PERU WAS SEEKING FOREIGN CAPITAL INVESTMENTS IN MINING, PETROCHEMICALS AND OTHER KEY AREAS, THEN IT SHOULD BE REALIZED THAT A SETTLEMENT OF THE GULF EXPROPRIATION CASE WOULD BE CONSIDERED A POSITIVE STEP BY POTENTIAL U.S. INVESTORS.

5. FOLLOWING THESE REMARKS BY THE AMBASSADOR, MINISTER

BARUA CHANGED HIS TACK AND DID ACKNOWLEDGE THAT THE GULF MATTER WAS A PRESSING ONE. HE SAID THAT HE HAD JUST RECENTLY RECEIVED AMEMORANDUM FROM VICE MINISTER KEIL ON THE SUBJECT WHICH OUTLINED THE STEPS NEEDED TO ARRIVE AT A SOLUTION. AS A RESULT, BARUA ADDED, A THREE-MEMBER, CABINET-LEVEL COMMISSION WAS BEING ESTABLISHED INCLUDING FOREIGN MINISTER DE LA PUENTE, MINISTER OF ENERGY AND MINES LA TORRE DI TOLLA, AND HIMSELF, TO RESOLVE THE CASE. HE STATED THAT HE WOULD CONTACT FOREIGN MINISTER DE LA PUENTE RIGHT AWAY, AND EXPRESSED THE BELIEF THAT THE COMMISSION WOULD HOLD ITS FIRST FORMAL MEETING SOON, POSSIBLY AS EARLY AS NOVEMBER 10. WHILE THERE WERE SEVERAL PROBLEMS TO BE WORKED OUT, HE CONCLUDED, IT SHOULD BE POSSIBLE TO REPORT SOME PROGRESS SOON.

6. COMMENT: WE WERE ENCOURAGED TO LEARN THAT GULF IS THE SUBJECT OF CABINET-LEVEL INTEREST, AND PLAN TO FOLLOW UP THIS MOST RECENT DEMARCHE AT THE VICE MINISTER KEIL LIMITED OFFICIAL USE

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LEVEL. WE WILL, OF COURSE, REPORT ON RESULTS OF THE MINISTERIAL MEETING DESCRIBED ABOVE AS SOON AS INFORMATION IS DEVELOPED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, DISPUTE SETTLEMENT, MINING INDUSTRY, MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA10214
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760417-0850
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761167/aaaacgda.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LIMA 9831
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by saccheem>; APPROVED <28 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KEY MINISTERS TO MEET ON GULF CASE
TAGS: PFOR, ENRG, EINV, GULF OIL CORP, (BARUA CASTNEDA, LUIS), (DEAN, ROBERT W)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006